AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2014

Background

This management discussion and analysis ("MD&A) of financial position and results of operation for American Vanadium Corp. (the "Company" or "American Vanadium") is prepared as at August 26, 2014. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2014 and with the Company's audited financial statements as at and for the year ended December 31, 2013.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "AVC" and are quoted on the OTCQX under the symbol "AVCVF".

Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements include but are not limited to statements regarding the outcomes and timelines for permitting and mining the Company's mineral reserves, the timelines for successfully developing an off-take market for the Company's mineral reserves, the Company's ability to enter the energy storage market, and its ability to obtain the financing required to maintain its operations. These statements involve a number of known and unknown risks, uncertainties and other factors, such as the Company's actual mineral reserves, the costs required to convert these reserves into high-value vanadium products and the prices obtained for these products; the development of mass energy storage in North America and globally, which itself is dependent on energy prices, adoption rates for storage technologies and governmental climate and energy policies; and the acceptance of the Company's strategy by financial markets. Outcomes other than those assumed herein may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview

Headquartered in Vancouver, Canada, American Vanadium is the Master Sales Agent in North America for the CellCube vanadium redox flow energy system ("CellCube"), produced by Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany. The CellCube is a commercially available vanadium flow battery capable of delivering long-duration energy storage for a broad range of applications, such as renewable energy integration and the reduction of demand charge tariffs levied by utilities.

The Company is integrating the CellCube sales opportunity with its Gibellini Property ("Gibellini"), a vanadium deposit located in Eureka County, Nevada and the development of a metallurgical process to create vanadium electrolyte for use in vanadium flow batteries.

In September 2011, the Company announced results from a feasibility study of Gibellini and an updated National Instrument 43-101 technical report was released in October 2011, and as of the date of this MD&A, Gibellini is in the environmental permitting stage with the US Bureau of Land Management ("BLM") and the Nevada Division of Environmental Protection ("NDEP").

In February 2014, the Company announced its first planned CellCube installation with the U.S. Department of Energy's National Renewable Energy Laboratory ("NREL") who will evaluate and demonstrate the first CellCube vanadium redox flow energy storage system in North America at its facility in Golden, Colorado. As of the date of this MD&A, the CellCube unit has been delivered to the NREL facility, and is being installed.

In April 2014, the Company, jointly with the New York State Energy Research and Development Authority, announced a planned commercial demonstration of a multi-unit system hosted by the Metropolitan Transportation Authority ("MTA") and the New York City Transit Office of Strategic Innovation and Technology. The installation will be at MTA's facility at 2 Broadway in downtown Manhattan and is also supported by ConEdison and the Advanced Energy Research Technology Center at Stoney Brook. It is anticipated that these CellCube units will be operating by the end of 2014.

Outlook

The Company is focusing on four primary initiatives to provide integrated energy storage systems containing its own supply of vanadium electrolyte:

1. Developing and executing a sales strategy for Gildemeister's CellCube energy storage in North America.
2. Developing the metallurgical process to create vanadium electrolyte, initially using commercially available vanadium oxides and ultimately using the product from Gibellini.
3. Continuing to work with regulatory agencies to obtain permits required to develop a mine at Gibellini. To date, the permitting process has been moving forward positively.
4. Securing short and long-term financing for operating and project requirements. In the six months ended June 30, 2014, the Company closed private placement equity financings for net proceeds totalling $4,834,212. The Company will continue to identify additional sources of financing for working capital purposes, managing the sales funnel for CellCube systems, and for the development of Gibellini.

It is anticipated that these initiatives will be the primary activities affecting the Company's cash flows and operating results in the near term.

Mineral Property Overview

The following mineral property overview has been reviewed and approved by Alan Branham, a member of the American Institute of Professional Geologists (CPG#10979), a Certified Professional Geologist, and a "qualified person" as that term is defined in National Instrument 43-101.

Gibellini Property, Eureka County, Nevada

The Gibellini Property consists of 428 unpatented lode mining claims and seven placer claims. Of the unpatented lode claims, the Company holds 100% title to 376 claims. The remaining 52 claims are leased through on-going payments of US$144,000, annually. These payments are treated as prepayments of net smelter royalties on future mine production from the property. The Company also holds title to the seven placer claims.

American Vanadium conducted a drilling program to obtain samples for metallurgical testing and verification of historic drill data. All metallurgical test work was performed by McClelland Laboratories (McClelland), of Sparks, NV. The holes were sited and drilled north and south of the holes used for a 2008 preliminary economic assessment to obtain a spatial representation of the mineralization across Gibellini. Metallurgical analysis performed on mineral samples from Gibellini indicates that the property's unique disseminated, sedimentary deposit allows for simple, sulphuric acid heap leach processing.

American Vanadium and previous operators have drilled a total of 280 drill holes (51,265 ft) on Gibellini since 1946, comprising 16 core holes (4,046 ft), 169 rotary drill holes (25,077 ft; note not all drill holes have footages recorded) and 95 RC holes (22,142 ft).

The Company engaged AMEC of Sparks, Nevada to produce a feasibility study (the "Feasibility Study") and a National Instrument 43-101 compliant technical report (NI 43-101 Technical Report, Gibellini Vanadium Project, Nevada, USA by Hanson, Orbock, Hertel and Drozd, August 31, 2011) covering the Gibellini Hill and Louie Hill deposits on the Gibellini Property (the "Technical Report"). The Feasibility Study was completed in September 2011, with the Technical Report released in October 2011. The Technical Report is available on www.sedar.com, but readers are cautioned that market pricing and development cost estimates contained therein are forward-looking statements, and are subject to the same risks and uncertainties described under the heading, "Forward-Looking Statements" in this MD&A.

As of the date of this MD&A, the following operational, regulatory, and environmental steps have been taken in order to advance Gibellini towards development:

1. The basic engineering phase of an engineering, procurement and construction management ("EPCM") contract has been completed.
2. The Plan of Operations has been submitted to the BLM and NDEP to obtain all required operating permits and approvals. The Plan of Operations, which details the plan for Gibellini from mine design, to processing facilities, to reclamation, was deemed complete by the BLM. Importantly, the Plan of Operations incorporates numerous product outputs for high-purity vanadium products including electrolyte for the vanadium flow battery market.
3. The Company has key personnel to oversee the permitting and development stages of Gibellini. Such personnel include an Executive Vice President, Operations as well as a Vice President, Environment to lead the current environmental permitting of Gibellini.

Del Rio and Hot Creek Projects, Eureka County, Nevada

In September 2010, the Company acquired mineral rights to the Del Rio Project ("Del Rio"), a vanadium project located approximately eight miles south of Gibellini. These wholly-owned mineral rights carry no royalty burden and were acquired by staking 120 unpatented lode claims on lands administered by the Bureau of Land Management.

In 2010, a smaller vanadium prospect, Hot Creek, was also acquired by staking 18 claims south of Del Rio with vanadium bearing shale, similar in geologic setting to Gibellini. This prospect will be explored along with the Del Rio.

Financial Review

As an exploration-stage company, American Vanadium does not have any revenues from mining operations, and the Company has not yet achieved any commercial sales of CellCube systems. Its accounting policy is to expense mining exploration and evaluation expenditures incurred until technical and economic feasibility on a specific property has been established and the Company has obtained sufficient financing to fund mine development. The Company has established the technical and economic feasibility on its primary mineral property, Gibellini, but does not have the funds required for development. As such, the Company continues to recognize an expense for all exploration and evaluation expenditures as incurred.

To date, the Company has not earned any revenues, has not declared any cash dividends, and has not held any long-term debt.

Significant financial statement items are as follows:

	June 30 2014	December 31 2013
	$	$
Balance Sheet:		
Cash	**1,629,221**	1,460,897
Total assets	**4,708,876**	3,841,734
Current liabilities	**621,523**	1,490,661
Long-term liabilities	**-**	-

	For the three months ended		**For the six months ended**	
	June 30 2014	June 30 2013	**June 30 2014**	June 30 2013
	$	**$**	**$**	$
Operations:				
Exploration expenditures	**582,539**	952,926	**1,417,403**	1,873,735
Administrative costs				
General	**1,076,938**	551,513	**1,861,874**	1,069,676
Stock-based compensation	**112,375**	3,672	**169,977**	17,767
Foreign exchange loss (gain)	**21,456**	4,504	**82,128**	(20,401)
Interest income	**(3,389)**	(534)	**(5,611)**	(1,151)
Net comprehensive loss	**1,789,919**	1,512,081	**3,525,771**	2,936,626
Basic and diluted loss per share	**0.03**	0.04	**0.06**	0.09
Dividends per share	**-**	-	**-**	-

Cash

The increase in cash as at June 30, 2014 to $1.6 million from $1.5 million as at December 31, 2013 is primarily the result of $4.8 million in proceeds received from the sale of shares, less $4.5 million in operating expenditures and $0.2 million for the purchase of fixed assets during the six months ended June 30, 2014.

Total assets

The increase in total assets as at June 30, 2014 to $4.7 million from $3.8 million as at December 31, 2013 is a result of $4.8 million in cash proceeds from a private placement of common shares and a $0.1 accrued deposit on equipment, which was partially offset by $4.0 million in expenditures for operating activities net of $0.4 million paid for advance payments on CellCube units and payments towards future CellCube performance testing that have been classified as prepaid expenses as at June 30, 2014.

Current liabilities

Current liabilities, which comprise solely accounts payable and accrued liabilities, decreased from $1.5 million as at December 31, 2013 to $0.6 million as at June 30, 2014. The balance at December 31, 2013 included amounts payable for engineering and metallurgical work conducted for Gibellini, which was repaid during the six months ended June 30, 2014. During this period, such activity had slowed, resulting in a lower accounts payable balance as at June 30, 2014.

Net comprehensive loss

Net comprehensive loss for the six months ended June 30, 2014 was $3.5 million compared with a loss of $2.9 million for the same period in 2013. The increased loss in 2014 is primarily owing to the following:

- A $568 thousand increase in salaries and benefits resulting from certain equity and cash-settled bonus and performance arrangements being paid or accrued, as well as for salaries earned by additional staff hired in the second half of 2013 and the first half of 2014.
- A $201 thousand increase in consulting expenses was incurred for marketing and business development of CellCube sales in North America.
- A $152 thousand increase in stock-based compensation as a result of stock options granted to employees, consultants and directors who joined the Company in the first half of 2014.
- An $82 thousand foreign exchange loss for the six months ended June 30, 2014, compared to a $20 thousand gain for the same period in 2013.

The impact of these cost increases was partially offset by a $456 thousand decrease in exploration and evaluation expenses owing to decreased metallurgical and basic engineering activities during the six months ended June 30, 2014 compared with the same period of 2013.

Second Quarter Results of Operations

Select expenses incurred by the Company are as follows:

	For the three months ended June 30, 2014	For the three months ended June 30, 2013
	$	$
Exploration and evaluation expenses	**582,539**	952,926
General and administrative expenses:		
Salaries and benefits	**581,125**	190,394
Consulting	**219,202**	135,607
Stock-based compensation	**112,375**	3,672
Travel	**86,310**	60,571
Office facilities and administrative costs	**51,931**	51,931
Audit and legal	**22,414**	36,344
Investor relations and shareholder information	**64,116**	34,348
Office and sundry	**31,477**	24,099
Other	**20,363**	18,219
Total general and administrative expenses	**1,189,313**	555,185
Foreign exchange loss	**21,456**	4,504
Interest income	**(3,389)**	(534)
Net comprehensive loss	**1,789,919**	1,512,081

Exploration and evaluation expenses for the three months ended June 30, 2013 were $370 thousand higher than for the same period of 2014 primarily as a result of engineering, procurement and construction management and environmental permitting work conducted to complete the Company's Plan of Operations in 2013 that did not recur in 2014.
Exploration and evaluation expenses for the three months ended June 30, 2014 comprised $164 thousand (2013 - $327 thousand) for environmental permitting; $2 thousand (2013 - $285 thousand) for engineering, procurement and construction management; $179 thousand (2013 – $278 thousand) for metallurgy; $153 thousand (2013 - $42 thousand) for permitting-related labour, office costs and general site administration; and $84 thousand (2013 - $21 thousand) for other engineering and heap leach pad design work.

Corporate-level activity increased somewhat in the three months ended June 30, 2014 compared with the same period in 2013 as the Company grew its energy storage strategy and pursued various financing initiatives. As a result, the following cost increases were incurred:

- Salaries and benefits expense increased from $190 thousand in 2013 to $581 thousand in 2014, reflecting an increase in staff levels, particularly for mine management and metallurgical development. Salaries and benefits for the three months ended June 30, 2014 also includes $177 thousand in bonus and performance arrangements settled by way of issuance of common shares and $85 thousand in cash bonuses paid in the period that did not occur in the same period of 2013.
- Consulting expenses increased from $136 thousand in 2013 to $219 thousand in 2014 as additional consultants were engaged to develop its CellCube sales strategy and to assist with corporate development and financing.

- Stock-based compensation expense for the three months ended June 30, 2014 was $112 thousand compared with $4 thousand for the same period of 2013 as a result of the vesting of stock options granted to new employees, consultants and directors in the second half of 2013 and first half of 2014.

Other general and administrative and sundry expenses were generally comparable between the three months ended June 30, 2014 and 2013.

Financial Condition, Liquidity and Capital Resources

As at June 30, 2014, the Company's working capital was $1.6 million, compared to working capital of $143 thousand as at December 31, 2013. The increase in the Company's working capital during the six months ended June 30, 2014 resulted from the proceeds of two tranches of a private placement of common shares, which was partially offset by cash expenditures for mineral exploration and evaluation, as well as for general and administrative purposes.

The Company will require additional financing for general and administrative expenses, for marketing and sales costs for CellCube, development of interim and longer-term vanadium electrolyte capabilities, and for design, engineering and development costs for a mine at Gibellini. The Company's ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty. The Company will continue to identify alternative sources of financing, but anticipates reliance on equity markets in the near term. Although the Company has been able to access these markets in the past, there is no assurance that it will be able to raise funds on favourable terms in the future.

Summary of Quarterly Results

A summary of quarterly results for the Company's eight most recent quarters is as follows:

For the Three Months Ended	Exploration and Evaluation[1]	General Expenses[2]	Stock-based Compensation[2]	Interest Income[3]	Net Comprehensive Loss[4]	Basic and Diluted Loss Per Share
	$	$	$	$	$	$
June 30, 2014	582,539	1,076,938	112,375	(3,389)	1,789,919	0.03
March 31, 2014	834,864	784,936	57,602	(2,222)	1,735,852	0.03
December 31, 2013	2,028,016	1,123,070	306,945	(2,790)	4,007,104	0.10
September 30, 2013	382,295	541,676	29,690	(199)	1,332,815	0.04
June 30, 2013	952,926	551,513	3,672	(534)	1,512,081	0.04
March 31, 2013	920,809	518,163	14,095	(617)	1,427,545	0.04
December 31, 2012[5]	1,004,061	512,166	17,732	(1,352)	1,567,430	0.05
September 30, 2012[5]	1,238,299	539,863	41,620	(1,814)	1,784,533	0.06

Explanatory Notes:

1. Exploration and evaluation expense for the periods presented are largely comprised of engineering, procurement and construction management, metallurgical and environmental permitting activities for Gibellini incurred to complete the Plan of Operations and to attend to the on-going permitting process. Costs fluctuate from period to period based on the availability of working capital to fund such work and deadlines for meeting various project and regulatory requirements.

2. General expenses were between the periods ended September 30, 2012 and September 30, 2013. In the period ended December 31, 2013, the Company incurred an increase in costs related to the development of its CellCube sales strategy. Additionally, equity-settled bonuses were awarded to certain employees. In the three months ended March 31, 2014 and June 30, 2014, the Company continued to incur consulting and other costs in connection with its sales strategy, and additional cash and equity-settled bonuses were awarded in the three months ended June 30, 2014.

   Between the quarters ended September 30, 2012 and September 30, 2013, the Company did not grant significant numbers of options and those granted with vesting conditions vested. As such, there was a general decline in stock-based compensation. In the fourth quarter of 2013, the Company granted over 1.2 million options, most of which were fully-vested, so there was an increase in stock-based compensation for the period. In the three months ended June 30, 2014, the Company granted options to new employees, directors and consultants, resulting in another increase to stock-based compensation expense.

3. The Company earns interest income from funds on deposit but has no operating revenue. Interest income is dependent upon the amount of funds on deposit and interest rates paid.

4. Net comprehensive loss is typically a result of exploration and evaluation expenses, general expenses and stock-based compensation. However, in the three months ended September 30, 2013, the Company recorded a $390 thousand write-down of water rights and in December 31, 2013, an additional expense was recorded for the $569 thousand impairment of a deposit.

5. Following a change in accounting policy described in the MD&A for December 31, 2013, certain 2012 results have been restated from those originally reported.

Transactions with Related Parties

During the six months ended June 30, 2014, a $39,000 (2013 - $39,000) expense was recorded for office facilities, corporate and administrative services provided by a Ionic Management Corp. (“Ionic”), a company jointly controlled by Brian Bayley, a director of the Company. Additionally, $41,000, recorded as share issuance costs, was paid to Ionic for fees related to a private placement of common shares in the six months ended June 30, 2014 (2013 - $nil). As at June 30, 2014, $8,295 is included in accounts payable and accrued liabilities (December 31, 2013 - $8,891) for amounts owing to Ionic.

During the six months ended June 30, 2014, a $60,000 consulting expense (2013 - $90,000) was recorded for services provided by Cansource International Ltd., a company jointly controlled by a Ron MacDonald, a former director of the Company who resigned during the period. Included in accounts payable and accrued liabilities at June 30, 2014 is $nil (December 31, 2013 – credit balance of $15,750) with this related company.

Included in prepaid expenses as at June 30, 2014 is $10,000 (December 31, 2013 - $10,000) advanced to Bill Radvak, the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company’s behalf. Included in accounts payable and accrued liabilities as at June 30, 2014 is $22,050 (December 31, 2013 - $8,271) owing to this officer for travel expense claims.

Included in accounts payable and accrued liabilities as at June 30, 2014 is $13,487 (December 31, 2013 - $15,200) owing to Mike Doyle, the Executive VP, Operations; and $nil (December 31, 2013 - $4,057) owing to Ron Espell, the VP, Environmental.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial Instruments and Risk Management

As at June 30, 2014, the Company’s financial instruments are comprised of cash, amounts receivable, reclamation deposits and accounts payable and accrued liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet as at June 30, 2014 are summarized in levels of fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	1,629,221	**-**	**-**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

As at June 30, 2014, the Company held $552,889, in net financial assets denominated in United States dollars. A prolonged $0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $55,289 foreign exchange loss (gain) based on United States dollar denominated net financial assets as at June 30, 2014. The Company has not hedged its exposure to currency fluctuations and, as at June 30, 2014

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors cash flow projections to determine its financing needs. While the Company may be able to discharge existing liabilities, further funding will be required to maintain operations in the near term and to carry out its operating strategy in the long term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at August 26, 2014:

Common shares issued and outstanding :	60,031,498[1]
Shares issuable on the exercise of outstanding stock options:	3,982,500[2]
Shares issuable on the exercise of share purchase warrants:	18,043,275

[1] In addition to the current number of issued and outstanding shares, the Company's Board has approved for the issuance of up to an additional 962,500 common shares in the form of bonus or performance-based compensatory shares or restricted share units. Of these, 212,500 will be likely be issued during the remainder of 2014, while the other 750,000 are subject to performance and or retention conditions that are unlikely to be met in 2014.

[2] Of stock options outstanding, 687,500 are vested and "in-the-money".

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Those estimates and judgments considered most significant are as follows:

i. Mineral properties

The measurement, depletion and impairment of mineral properties are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

Differences between actual and anticipated reserves, mineral revenues and costs could result in future impairments being recognized.

ii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii. Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv. Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

v. Restricted share units and performance shares

The determination of whether or not the achievement of performance milestones for restricted share units and performance shares is likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Initial Adoption of New IFRS

The Company adopted the following new IFRS that became effective for fiscal years starting on January 1, 2014, which did not have a significant impact on the Company`s financial results:

IAS 32, "*Financial Instruments: Presentation*"

IAS 32 was amended to clarify requirements for offsetting financial assets and financial liabilities.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. These standards have been assessed to not have a significant impact on the Company's financial statements:

i. IFRS 2, *"Share-based Payment"*

IFRS 2 is amended to clarify the definition of vesting conditions. This accounting policy applies to share-based payment transactions for which the grant date is on or after July 1, 2014.

ii. IFRS 3, *"Business Combinations"*

IFRS 3 is amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

iii. IFRS 8, *"Operating Segments"*

IFRS 8 is amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. These amendments are effective for fiscal years beginning on or after July 1, 2014.

iv. IFRS 9, *"Financial Instruments"*

The IASB intends to replace IAS 39 – "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

v. IFRS 16, *"Property, Plant and Equipment and IFRS 38, Intangible Assets"*

IFRS 16 and IFRS 38 are amended to classify how gross carrying amount and accumulated depreciation or amortization are treated where an entity uses the revaluation model. These amendments are effective for fiscal years beginning on or after July 1, 2014.

vi. IFRS 24, *"Related Party Transactions"*

IFRS 24 is amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. These amendments are effective for fiscal years beginning on or after July 1, 2014.

Changes in Directors

On April 8, 2014, Ron MacDonald resigned as a director of the Company. Mr. MacDonald served as the Company`s Chairman, and has been replaced in this role by Brett Whalen.

On June 4, 2014, Robert Catell was appointed as a director of the Company.

At the Company's Annual General Meeting held on July 11, 2014, Oleg Popovsky was appointed as a director of the Company. Additionally, Alan Branham did not stand for re-election as a director, but remains as the Company's qualified person on a consulting basis.

Risks and Uncertainties

Exploration of mineral properties involves a high degree of risk and the successful achievement of a profitable operation cannot be assured. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The Company must overcome many risks associated with an early stage exploration property. Outstanding items to be completed include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund its activities. There can be no assurance that it will be able to do so in the future.